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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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COMMISSIONERS

TOM FORESE, CHAIR
DOUG LITTLE
BOB STUMP
BOB BURNS
ANDY TOBIN

IN THE MATTER OF THE APPLICATION
OF
ARIZONA PUBLIC SERVICE COMPANY
FOR A HEARING TO DETERMINE THE
FAIR VALUE OF THE UTILITY PROPERTY
OF THE COMPANY FOR **RATEMAKING**
PURPOSES, TO FIX A JUST AND
REASONABLE **RATE** OF RETURN
THEREON, [AND] TO APPROVE **RATE**
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

(Teena Jibilian, Hearing Officer)

DOCKET NO. E-01345A-16-0036

**INTERVENOR GAYER'S
DIRECT TESTIMONY IN
OPPOSITION TO
SETTLEMENT AGREEMENT**

IN THE MATTER OF FUEL AND
PURCHASED POWER PROCUREMENT
AUDITS FOR ARIZONA PUBLIC SERVICE
COMPANY.

DOCKET NO. E-01345A-16-0123

Richard Gayer, an Intervenor herein, hereby submits his Opposition to the Settlement Agreement filed on March 27, 2017.

Definitions: "APS", "you" and "your" refer to the Arizona Public Service Company, the utility involved in this rate case.

Gayer submits no opposition to the "Revenue Requirements" other than to state that the ROE of 10 percent is much too generous.

Q 1. Should the name of APS be changed to Arizona POWER Service?

A 1. Yes. "Public" deceptively suggests that APS is part of the government of the State of Arizona. In fact, APS is a large private corporation with securities traded on the New York Stock Exchange. The "service" that APS provides is POWER, and no document regarding APS

1 that I have seen states its full name. Therefore, APS may proudly change its name without
2 having to revise any of its stationary, bills or other documents.

3
4 Gayer opposes the following provisions under "Rate Design".

5
6 **XIX (19). Residential Rate Availability**

7 Q 19-1. What is unfair regarding rate availability?

8 A 19-1. New customers should be able to select R-Basic without a waiting period. Time
9 of Use rates are likely to be confusing to a new customer without previous experience with such
10 rates. Because of likely customer errors that are not their fault, APS will enjoy a bonanza from
11 unnecessarily high bills for 90 days.

12 The application of TOU rates should always be voluntary, as are demand rates. If the
13 Commission approves mandatory TOU rates for new customers, then such rates should apply
14 for no more than one billing cycle (approximately 30 days) to minimize financial damages to
15 APS's customers.

16
17 **XXVI (26). Effective Date of Rate Plans**

18 Q 26-1. What about the "information on options" that APS will provide to customers?

19 A 26-1. That information should include an explanation of the risks of TOU rates,
20 especially in view of the long interval from 3:00 pm to 8:00 pm.

21
22 **XXVIII (28). AZ Sun II**

23 Q 28.2. (re: (d)) Compare the cross-subsidization of AZ Sun II with cross-subsidization
24 of non-AMI meter reading charges. Assume that AZ Sun II is a worthwhile program. Also
25 assume that APS's agreed upon cost of reading such meters is \$5 per reading and that APS has
26 about 16,568 customers with non-AMI meters. Assume further that APS has a total of about 1.2
27 million customers.

1 A 28.2. Paragraph 28.2(d) provides for between \$10 million and \$15 million per year for
2 this project to be paid from monies collected by APS from its customers. This amounts to a
3 cross-subsidy of between \$8.33 and \$12.50 per year per customer, or about \$0.69 to \$1.04 per
4 month.

5 Cross-subsidization of non-AMI reading involves spreading the product of \$5 times 12
6 times 16,568 equals \$994,080 among 1.2 million customers, or \$0.89 per month.

7 So, if effectively charging each customer about 87 cents per month for AZ Sun II is fair,
8 then charging them about 89 cents per month for the non-AMI readings would also be fair.

9
10 **XXX (30). AMI Opt-Out and Schedule 1.**

11 Q 30-1. Are AMI Meters really smart?

12 A 30-1. No. They offer no benefits to customers and they present four dangers and risks
13 to them. For a list of purported benefits, see APS's Response to Gayer's Data Request No. 2.23,
14 set forth here for convenience.

15 Gayer 2.23: At this point in time, how do smart (AMI) meters benefit residential
16 customers, if at all? Regarding any potential such benefits in the future, please list them and
explain each one, including its cost to a customer and/or to APS.

17 Response: AMI Meters benefit APS customers in various ways:

18 1. Lower APS operating costs and therefore rates by not having to roll trucks for monthly
reads, customer move in/move outs, meter rate changes (customers changing from one rate to
another).

19 2. Reduced APS truck rolls results in lower air pollution from vehicles benefitting
everyone.

20 3. Granular usage data (hourly intervals) is made available on aps.com to help customers
understand when they use power and how much they use.

21 4. Using the hourly intervals, customers have the ability to get alerts specific to usage and
bill amounts.

22 5. Limits customer delay in connecting/disconnecting service as physical visit is not
23 required.

24 Item three may initially be viewed as a benefit, but its lack of fine detail (one hour is far
25 too coarse) and the one-day delay renders that data useless.

26
27 Risk One: Lack of cyber security = Hacking. AMI meters present a golden opportunity
28 for hackers or terrorists in the form of an open wireless network with only 128-bit encryption.

1 Risk Two: House fires. Unlike the ultra-reliable electromagnetic meters with spark gaps
2 to absorb surges, AMI meters have only solid state surge protection. Such protection is
3 necessarily limited.

4
5 Risk Three: Invasion of Privacy. AMI meters collect granular data in increments as small
6 as one minute. These data are valuable to commercial companies who desire to learn about
7 customers' habits and solicit their business accordingly. Any sale or transfer of such data
8 without the express permission of a customer will violate the customer's common law right to
9 privacy, thereby leading to a lawsuit for damages.

10
11 Risk Four: Microwave Health Hazard. Three to five percent of the general population is
12 susceptible to microwave radiation at even relatively low levels. According to the emailed
13 complaint of Customer Jean Griesenback filed in Docket 16-0123 on March 27, 2017, Jean
14 suffered from popping noises in the ears in the home in Sedona, but the noises stopped when
15 APS replaced the AMI meter with a non-AMI meter. Subsequently, she visited a private home
16 in North Carolina and the popping noises returned. Upon inquiry, she learned that the house
17 there was served by an AMI meter.

18 My neighborhood in the Willo Historic District in Phoenix has about 1500 residents;
19 there is no reason for 45 or more resident should be exposed to sickening radiation.

20
21 Q 30-2. Should customers who prefer safe meters be charged every month for reading
22 their non-communicating meters?

23 A 30-2 No. The cost of reading their 16,568 meters should be spread over all of APS' s
24 1.2 million customers, as suggested in Decision 75047, paragraph 23(g). APS admits that its
25 cost of reading each meter is only Five Dollars per month. If the cost is spread, then every
26 customer would pay about 89 cents more per month.

1 Q 30-3. Should customers who choose the relative safety of non-communicating meters
2 be viewed as potentially dangerous persons in Service Schedule One, paragraph 8.5 (D)?

3 A 30-3. No. Subdivision (D) under "Discontinuation of Non-Standard Metering"
4 provides that "Company employees have received verbal or physical threats, including, but not
5 limited to, verbal threats while installing meters or performing maintenance to Company
6 equipment, and physical weapons or dogs." This provision MUST be deleted !
7

8 Q 30-3. Should customers who do not have AMI meters be required to give APS
9 personnel direct contact with their meters within the boundaries of their property when APS
10 personnel may read the meters using binoculars from a convenient location outside of their
11 property?

12 A 30-3. No. Such a requirement invades a customer's privacy and forces the customer to
13 purchase and install a special lock for APS personnel to use for access or else to leave his or her
14 property insecure on meter reading days. Since such customers do not have a demand rate or
15 time of use rate, there is no justification whatsoever for trespassing on their properties to obtain
16 personal data from their meters.
17

18 Q 30-4. Should APS customers with non-AMI meters be able to obtain Bill Estimation
19 under Decision No. 75752?

20 A 30-4. Yes. Decision No. 75752 provides several methods for bill estimation, and
21 Gayer was expressly invited in that decision to intervene in *this* docket and to submit his request
22 for bill estimation here. *Id.*, at ¶ 36 ("Therefore, Staff concludes that Mr. Gayer's concerns are
23 best addressed in the current APS rate case Docket No. E-01345A-16-0036 ...")

24 A customer who chooses this option may be required to deposit an amount equal to his or
25 her estimated bills for the interval between actual meter readings. For example, if a customer
26 chooses a six month interval, then he or she may be required to post a deposit to cover that
27 interval. Upon the actual reading, the customer shall be required to pay (or receive) the balance
28 and to pay a new deposit to cover the next six months. To be eligible for bill estimation, a

1 customer should have been a customer of APS for at least 12 months in the same house or
2 apartment.

3
4 Q 30-5. Should non-AMI customers be allowed to submit to APS self-readings of their
5 meters every month?

6 A. 30-5. Yes. Self-reading has long been a method used by APS to obtain meter
7 readings from its customers. Verification of readings can be performed every six months by
8 APS employees. Paying an employee to read the meter monthly cannot be rationally justified;
9 charging the customer \$5 *every* month is just punishment. With self-reading, a customer would
10 pay only \$10 per year rather than \$60.

11
12 Q 30-6. Should non-AMI customers be allowed to elect APS's "Budget Billing" plan,
13 wherein a customer pays the same monthly amount over a twelve month period, subject to
14 periodic adjustment by APS?


15 A 30-6. Yes. There is no reason to charge a non-AMI customer for monthly meter
16 readings if he or she has been a customer for at least 12 consecutive months (so that a monthly
17 average may be calculated).

18
19 **Proof of Service**

20 On 01 April 2017, I served copies of the foregoing on all parties on the "Service List"
21 in this case.

22
23 Dated: 01 April 2017

Respectfully submitted by,



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